REPORT OF THE WESTAR TIMBER LTD. (Northwest Operations) COMMISSION

Submitted to: The Honourable Dan Miller
Minister of Forests
Province of British Columbia

By: Commissioner Garth Langford
Commissioner George Watts

March 6, 1992

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The Honourable Dan Miller
Minister of Forests
Legislative Buildings
Victoria, B.C.

Dear Sir:

We are pleased to submit for your consideration the report and recommendations of the Westar Timber Ltd. (Northwest Operations) Commission.

Respectfully,

Garth Langford
Commissioner

George Watts
Commissioner

REPORT OF THE

WESTAR TIMBER LTD. (Northwest Operations) COMMISSION

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INTRODUCTION

In the latter half of 1991, Westar Group announced that it was withdrawing from the forest industry and selling its assets and operations related thereto. Among these are the assets of Westar Timber Ltd.'s Northwest Operations in the Hazelton-Kitwanga area (the "Operations") which include:

- Carnaby Lumber Operations;
- Kitwanga Lumber Operations; and,
- Hazelton Whole Log Chipper.

These operations are supported by Crown timber harvesting licenses including TFL 51 and FL A16831 (the "Forest Tenures").

The Minister of Forests (the "Minister") announced that several aboriginal and private groups had raised a number of issues and concerns regarding the possible sale of these assets and the transfer of the associated forest tenures. The Minister, who must approve transfers of Forest Tenures under provisions of the Forest Act, recognized the number of complex issues involved in a possible sale and appointed a two-person Commission to identify and examine the issues in advance of Westar seeking approval for transfer of the Forest Tenures and to provide an opportunity for consultation and input by interested parties and local communities on the issues.

Mr. Garth Langford of North Vancouver and Mr. George Watts of Port Alberni were appointed to the Westar Timber Ltd. (Northwest Operations) Commission by the Minister in December of 1991. The mandate of the Commission was to examine the Forest Tenures, conversion facilities and other associated assets of Westar Timber Ltd. in the Hazelton and Kitwanga area and to provide the Minister with recommendations concerning possible options for the sale of the Northwest Operations and the transfer of the associated Forest Tenures. In making its recommendations on possible options, the Commission was requested to consider a number of factors and a

number of objectives of the provincial government. The Terms of Reference for the Commission which specifies these factors is attached to this report as Appendix "A".

The Commission met with all individuals or groups who requested a meeting or who were identified by the Commission as being able to contribute to an identification, examination, and understanding of the issues, options for sale of the Operations, and transfer of the Forest Tenures and how the communities might be affected. Public meetings were also held in the communities of Hazelton and Kitwanga to provide an opportunity for local input/consultation with respect to the issues the Commission was dealing with. Over 80 individuals attended each of the public meetings and a total of 26 presentations were made to the Commission. A list of groups and individuals who met with the Commission and/or made presentations or submissions is attached as Appendix "B".

In addition, Commissioner Watts visited the area on two separate occasions prior to the meetings and both Commissioners spent two full days in the area prior to the Commission meetings. Commissioner Langford remained in the area for one day following the public meetings. During these trips the Commissioners took the opportunity to speak to as many local people as possible (municipal officials, logging contractors, Native groups and individuals, mill owners and operators, and Ministry of Forests staff), to tour the existing mills, and to become more familiar with the general area, in particular in the forestry sector.

The Terms of Reference for the Commission, the availability of the Commissioners to meet with any interested party and the date and location of the public meetings was well advertised in media reaching from Terrace and the Nass Valley to Burns Lake.

PROPOSALS TO PURCHASE

Immediately following the appointment of the Commission in December, the Commissioners were advised by Skeena Cellulose Inc. ("SCI") that it had reached an agreement in principle with Westar to purchase the Operations and this information was subsequently made public by SCI.

SCI has stated that it is endeavouring to acquire the Operations to ensure continuity of the chip supply to its pulp operations in Prince Rupert from this source. Westar has a chip supply contract with SCI that extends to 1998 and provides some 30% of the Prince Rupert pulp operation fibre requirements.

SCI stated that it has had and continues to have ongoing discussions with local Native groups regarding participation in the purchase of some or all of the Operations as joint venture partners. SCI has indicated that it would welcome Native participation as joint venture partners. No agreement has yet been reached.

The Commissioners were advised by Westar and local Native groups that discussions had taken place concerning a possible purchase of all or a part of the Operations by these Native groups but that an agreement had not been reached.

DESCRIPTION OF THE AREA

The Hazeltons lie at the junction of the Skeena and Bulkley River valleys 290 kilometers east of Prince Rupert, 145 kilometers east of Terrace, and 69 kilometers northwest of Smithers. Kitwanga is located 50 kilometers west of New Hazelton on Highway 16. The communities are served by Highway 16 and C.N. Rail (east-west). Highway 37 north to Stewart, Alaska and the Yukon branches off Highway 16 at Kitwanga. (A map showing the area is included as Appendix "E")

According to the Statistics Canada 1986 Census, the population of the Hazelton-Kitwanga area (Upper Skeena) totals 5,849. The population of the Upper Skeena region is scattered throughout 15 small communities including a number of Indian Reserves. According to records of Indian & Northern Affairs Canada, the on-reserve Native population in the area at December 31, 1991 numbers 3,401, approximately 57% of the total population of the area. (More Native people in the area are living off-reserve, but there is no way of determining that number). The population base in the Upper Skeena is a stable one. While there are a few "transient" residents who come and go following employment opportunities, the majority of the population is comprised of Native people and those who have been described as the "pioneer" population; those who, like the Native population, were born and raised in the area and are permanent residents.

The economy of the Upper Skeena is resource-based and is anchored by the forest industry which has dominated the economy for the past 30 years. According to an investment profile of the Hazeltons prepared by the Regional District of Kitimat-Stikine in 1990, approximately 500 people are directly employed in logging and sawmilling. Secondary manufacturing is being encouraged through

government initiatives and employment is available in other areas of forestry such as consulting and silviculture. Opportunities also exist to improve remanufacturing and value-added facilities.

Tourism is another primary industry in the area which has been steadily growing since the 1960's, perhaps as a result of improvements in transportation systems. Historically, the tourism industry in Upper Skeena has been tied to fishing. Many sources indicate that there is potential for growth in both the cultural tourism, and wilderness and adventure aspects of the tourism industry. According to the Village of Hazelton's Economic Development Profile and Strategy, there are presently 90 jobs in the area directly associated with the tourist industry.

The Village and District of Hazelton are the principal commercial, administrative, and retail centres for the area with a range of recreational and social services, hospitals, school, government and other service agencies. A number of businesses in the area provide services and goods to the various communities. It should be noted that, while Native people constitute over one-half of the population, they do not have significant ownership in the local business community. Other activities which contribute to the local economy include agriculture (primarily ranching and market gardening in the Kispiox and Skeena valleys), and mining exploration. The forest resource however is by far the major contributor to the economy.

The population of the Kitwanga area (including Gitsegukla, the Native and non-Native populations of Kitwanga, Kitwancool, and east to Cedarvale) is close to 1,500 people. The economy of this area is very limited. There has traditionally been two mills in the area (Kitwanga Lumber Company, and Westar's Kitwanga Lumber Operations) which provided the majority of employment in the area.

Recently, however, Westar's mill has been closed and up to 110 people, the majority of whom are members of the Gitwangak Band, have been affected by the closures. There are two gas stations in the area (one on-reserve, and one off-reserve), one store, and 2 restaurants (1 associated with the gas station on reserve). Other employment opportunities in Kitwanga are limited to Band employment through their administration offices and schools.

TIMBER RESOURCE AND PROFILE

The timber resource in the Kispiox Timber Supply Area (TSA) is predominantly over-mature, decadent Hemlock-Balsam which represents an estimated 85% of the stand.

Mature operable timber stands include volumes of sawlog quality estimated at only 54% of the stands.

The percentage of pulp logs and poor quality sawlogs in the Kispiox TSA ranks among the highest in the interior of the province.

The second supply area attached to the Hazelton-Kitwanga processing facilities is TFL 51 which was subdivided from TFL 1 in 1986.

The species breakdown in TFL 51 is different than the Kispiox TSA and the timber quality substantially better. Pulp volumes are estimated to be 10% of the stand.

The Annual Allowable Cut (AAC) established by the Ministry of Forests for the two areas and the apportionment to licensees, and the estimated sawlog component is summarized in the following table.

TIMBER PROFILE AND VOLUME
TFL 51 AND KISPIOX TSA

		%	AAC Mm^3	Sawlog (Mm^3)	Pulplog (Mm^3)
TFL 51:					
Westar Timber Ltd.		100	104	94	10
KISPIOX TSA:					
Westar Timber Ltd. (FL A16831)		55	607		
Kitwanga Lumber Co. Ltd.	(1)		< 92		
Stege Forest Products Ltd.	(2)	21	< 64		
Other Licensees			< 73		
Ministry of Forests Small Business		24	264		
Total Kispiox TSA		100	1,100	594	506
TOTAL KISPIOX TSA & TFL 51			1,204	688	516

(1) Owned by the Hobenshield family and hereafter referred to as Hobenshield to distinguish from Westar's Kitwanga Sawmill

(2) Hereafter referred to as Stege

During the course of our meetings and interviews we received many expressions of concern from the public as to the sustainability of the existing AAC and logging practices.

An area north of the Babine River in the Kispiox TSA has been closed to logging following a road block by Native people and a subsequent court order that closed the area until Indian land claims are settled. This area supports one-third of the AAC and following the closure logging has been restricted to the remaining land base, a circumstance that cannot continue to prevail.

TIMBER CONVERSION FACILITIES IN THE AREA:
HISTORY AND DESCRIPTION

a) Facilities Located at Kitwanga:

Kitwanga Lumber Company (Hobenshield):

Hobenshield started a small sawmill in the late 1960's which has been expanded and upgraded over the years and continues to operate.

A two line sawmill with debarking and chipping capacity, a Chip N Saw small log side, and a circular headsaw (with top saw) and carriage for large logs. The mill can cut the profile of the forest -- all sizes, all species. The operation has a planer but no dry kilns.

Estimated annual log need is 140,000 m^3 operating on a single shift and employing approximately 44.

Westar - Kitwanga:

CanCel, a predecessor company of Westar, constructed the existing Chip N Saw mill in Kitwanga in 1971 on the site of a log reload centre on land leased from the Gitwangak Band. Logs were trucked from TFL 1 to the Kitwanga reload centre for redirection by rail for whole log chipping at the Prince Rupert pulp mill then owned by CanCel. The Chip N Saw mill was installed to increase the timber recovery value.

This is a single line Chip N Saw mill with debarking and chipping capacity, a planermill but no dry kilns. Log useage is restricted in size and other physical characteristics to those used at Carnaby.

Estimated annual log need is 300,000 m^3 operating on two shifts and employing approximately 100. This mill has operated on a single shift for less than six months in the past two years.

b) Facilities Located at Hazelton:

Westar - Carnaby:

CanCel (Westar) purchased two privately owned sawmill operations in Hazelton. Hazelton Lumber (owned by the Sigalet family) was acquired in the late 1960's and Rim Forest Products was acquired in the mid 1970's. These were the only sawmill operations of size in the Hazelton area at the respective times and both were acquired to supply fibre to the CanCel's (Westar) Prince Rupert pulp mill. The Hazelton Lumber operations was discontinued (in effect replaced by Rim Forest Products) while Rim continued operations until 1988 when it was replaced by a newly constructed Westar mill at Carnaby.

The opening of the Carnaby mill and closure of the Hazelton mill followed closely the sale by Westar of the pulping operations in Prince Rupert, a sawmill in Terrace, and TFL 1. TFL 51 was awarded coincidentally with that sale and a condition was imposed in Tree Farm License 51 that the licensee would operate timber conversion facilities in Kitwanga and Hazelton and would not close those facilities without the prior approval of the Ministry of Forests.

Westar endeavoured to secure additional supply from the Sustut area but its bid was unsuccessful when that timber was directed to Prince George.

Westar added a stand-alone whole log chipping facility at Hazelton in 1989 which employs 14.

The Carnaby mill built in 1987-88 replaced the Rim mill now being rebuilt by Stege. This is a single line mill that processes logs 18 cm (7") and 46 cm (18") diameter. It is one of the most modern, productive mills in the province, capable of extremely accurate sawing and of producing lumber with a sawn face ready for shipment to export markets without further

processing. Its lumber recoveries and conversion costs are outstanding and the 1990 Price Waterhouse report comparing 30 northern interior mills confirms its rating as one of the best performers.

It will not process cedar, oversize or (efficiently) logs below 18 cm (7") diameter which represent 20% of sawlogs harvested and purchased. A further 10% of log deliveries to the mill are represented by tops, misshapen logs and pulp which are chipped.

Estimated annual saw log need is 600,000 m^3 operating on two shifts and employing 135.

Isolite-Stege Forest Products Ltd.:

Stege, a logging contractor, operated a sawmill in Hazelton throughout most of the 1980's until it was destroyed by fire. Stege purchased the Rim facilities closed by Westar and is presently re-equipping the sawmill. This operation is scheduled to open within a few weeks.

This is a two line mill with debarking and chipping capacity, a Chip N Saw small log side and an 8' double cut band headsaw with carriage for large logs. The headsaw replaced a Scragg used in the mill when it was owned by Westar. It is intended to add whole log chipping capacity. The mill will be able to cut the profile of the forest -- all sizes, all species. The operation has a planer and dry kilns.

Estimated annual log need is 180,000 m^3 operating on a single shift and will employ approximately 75.

c) Other Mills in the Area:

There are two other mills in the area, one located at Kispiox and the other east of Hazelton (Seaton Timber). They are both small, unsophisticated specialty mills supplying a niche market.

Estimated annual log need for these two mills is 50,000 m^3 operating on single shifts.

* * * * *

In general, sawmilling at Hazelton has never enjoyed prosperous times. Stege managed to sustain his operation which was comparatively small. Both Hazelton Sawmill and Rim Forest Products endured periods of financial difficulties prior to the Westar acquisition and suffered substantial downtime during periods of market downturns before and after the acquisition. The Carnaby mill and Hazelton Whole Log Chipper configuration materially improve the viability of the forest industry at Hazelton and enhance the long term economic stability in the area.

TIMBER CONVERSION FACILITIES - SUMMARY OF OVER-CAPACITY

As described previously, conversion facilities are located at or near Hazelton and Kitwanga, the two principal communities in the area as well as a small operation at Kispiox and another (Seaton Timber) which is 10 kilometres east of Hazelton. The sawlog requirements of these conversion facilities and the resulting sawlog shortfall from the Kispiox TSA and TFL 51 are described in the following tables.

SAWLOG REQUIREMENTS EXISTING MILLS IN KISPIOX TSA AND TFL 51

	Mm^3 Sawlog Requirement		Mm^3 Source Quota**	Mm^3 Purchase Requirements
Kitwanga:				
Hobenshield	140	*	52	88
Westar-Kitwanga	300	>		
Hazelton:	440	>	422	478
Westar-Carnaby	600	>		
Stege	180	*	36	144
	780			
Kispiox (est)	20	*	--	20
Seaton	30	*	--	30
Total	1,270		510	760

* single shift
** AAC less pulp log component

SAWLOG SHORTAGE IN KISPIOX TSA AND TFL 51

Sawlog requirement (above)		1,270,000 m^3
Sawlogs available in area		
Kispiox TSA (1,100 Mm^3 x 54%)	594,000	
TFL 51 (104 Mm^3 x 90%)	94,000	688,000 m^3
INDICATED SHORTFALL WHICH MUST BE PURCHASED OUTSIDE THE AREA		**582,000 m^3**

The Carnaby mill installation gave rise to the present milling over-capacity problem in Kitwanga-Hazelton. It is much maligned as being too large, and unsuited to the resource and strong representations were made to the Commission that it should be dismantled and relocated elsewhere in the province. As noted in the Commission conclusions, the Commission does not concur.

There is an insufficient log supply to operate both the Carnaby sawmill and the Westar sawmill at Kitwanga.

The indicated sawlog supply shortage is of such magnitude that all operations cannot be sustained and permanent closures are certain and imminent.

The issue is then how this can be most effectively managed in a manner consistent with the objectives of the provincial government set forth in the Terms of Reference of the Commission.

The over-capacity at Hazelton-Kitwanga is indicative of the situation that prevails throughout the interior of the province. More specifically, from Vanderhoof to Terrace eight communities

(see Appendix "F") have timber conversion facilities, the capacity of which exceeds timber supply by an estimated 1,600,000 m^3/M in the short term and in excess of 2,000,000 m^3/M in the longer term. The over-capacity problem stems in large measure from the on-going need to improve sawmill productivity to remain viable. Consolidation of operations has been occurring and will continue and further reductions in the employment base is a certainty throughout the region and the interior.

However, the over-capacity problem at Hazelton-Kitwanga creates a special problem since the two communities are some 50 kilometres apart. Each community has conversion plants with separate seniority lists and any closure adversely affects the specific community at which it is located rather than being shared. The economies of both communities depend heavily on the forest industry and especially the sawmills in each town, to a much greater extent than the larger neighbouring communities of Smithers and Terrace which have a substantially broader economic base.

Hazelton and Kitwanga are both permanent communities with large native populations in each, and relocation would not follow if employment is permanently lost. Kitwanga in particular has almost no employment base aside from the two sawmills located there. A closure of either mill at Kitwanga would have the most serious economic consequences.

The two mills at Kitwanga are Hobenshield and Westar-Kitwanga which employ approximately 44 and 100 personnel respectively. Westar has endeavoured to close its Kitwanga operation citing a lack of logs and unacceptable economies. This closure is being vigorously opposed by the mill employees and the Gitwangak Band.

ABORIGINAL INTERESTS

Among the aboriginal interests in the Operations and the Forest Tenures are: the land question, jobs, economic opportunities, environmental issues and habitat, community stability, resource management and trapping. The Commission received several presentations from Native groups and individuals during the course of its meetings. The Office of the Hereditary Chiefs made quite a lengthy presentation at the first public meeting in Hazelton, and they indicated that some of their Houses and Chiefs would be making additional submissions in addition to and in support of the Office's submission.

The Commission also had the opportunity to meet with the Nisga'a Tribal Council.

Fiduciary Responsibility:

The Office of the Hereditary Chiefs of the Gitksan and Wet'suwet'en people made an oral and written submission in which they recommend:

> "For the public planning process to have meaning, the province must determine the nature of its fiduciary responsibilities towards the Gitksan and Wet'suwet'en Houses under the Delgam uukw decision. Plans must evolve out of each House's responsibility for its territories and out of the shared visions, knowledge and skills of Gitksan, Wet'suwet'en and other local people."

The issue of the provincial government's fiduciary responsibilities arising out of the Delgam uukw decision was raised on a number of occasions by a number of people. The Commission believes clarification is needed in this matter and we deal with it in our recommendations.

The Land Question and Native Resource Management:

The Delgam uukw case which deals with the question of Aboriginal title in the Hazelton area is now before the British Columbia Court of Appeal. While it would be inappropriate for the Commission to comment as to how the issues raised in the Delgam uukw case should be dealt with by the courts, a discussion of some of these issues and the Native perspective of these issues is important.

The Office of the Hereditary Chiefs of the Gitksan and Wet'suwet'en point out that the sixty-one (61) House territories of their Chiefs were totally ignored while the Ministry's management regime developed. They claim that Forest License A16831 and the Tree Farm License 51 are all located within Gitksan territories. They further state that two Wet'suwet'en territories, Smogelgem and Wah Tah Keght are also involved. Their wishes are expressed in a quote from their submission:

> "There must be an up to date inventory of each House territory, plans made that protect all resources located on that territory, then it could be determined exactly how much that territory can contribute to the overall economy and still keep the integrity of that House territory intact, once this has been done for all House territories, then the A.A.C. should be amended to reflect exactly what is available on a truly sustainable basis."

Chief Councillor Glen Williams of the Gitwangak Band stated that there would never be peace unless the Hereditary Chiefs and House leaders were involved in the management and decision-making process within their House territories.

Andy Clifton made a lengthy and detailed submission on behalf of the House of Hanamoox of the Gitsegukla people. His submission supported the submission of the Office of Hereditary Chiefs but was

more site specific and focussed on the ownership and respect for territories and their resources by their Chiefs and House members. Further recommendations were to follow but were not received.

Art Loring made a very interesting and useful presentation on behalf of the Eagle Clan. He stated that their Clan has worked with Skeena Cellulose Inc. in exploring avenues through which to develop management plans consistent with the values of the Eagle Clan. They would like to explore a management module in conjunction with companies and the Ministry. They felt that blockades were the only way to bring attention to their position.

The Gitanyow Council pointed out that they have filed their land claim under the Kitwancool Band in 1976 separate from the Gitksan-Wet'suwet'en court action (Delgam uukw), and it was accepted for negotiation. (Although the Kitwancool are not joined in that court action, they are Gitksan people). The map attached as Appendix "E" shows that TFL 51 is within the land claim area of the Kitwancool. They believe that after a just settlement some of the territories which presently are part of the Westar Forest Tenures will be included in a settlement. They believe that viable business deals could act as interim measures. They state that absentee owners should not dictate the management of their renewable resources.

The Nisga'a Tribal Council made a presentation to the Commission. They pointed out that TFL 51 lies entirely within their territory. This of course raised the issue of conflicting claims. The Commission would not feel comfortable in judging these conflicting claims and reflect this in the recommendation dealing with this issue. The Nisga'a also asked for the Commission to be extended but the Commission indicated that it did not feel comfortable with that situation because there is uncertainty

surrounding so many people in this area and it would be unfair to them.

The Commission believes that the Nisga'a and the Gitksan cannot only work out their over-lapping claim but that they will play a major role in businesses in that area.

Northern Babine - Sustut/Takla:

Three Kisagaas Chiefs: Neil Sterritt Sr., Alice Jefferies, and Abel Sampson (accompanied by Neil Sterritt Jr. and Earl Muldon) met with the Commission to represent their Houses that are north of the Babine. At present there is an injunction against Westar Timber Ltd. that was sought and granted to Don Ryan et. al. (commonly referred to as the Sam Green injunction) to prevent Westar Timber Ltd. from building a bridge across the Babine River. This injunction prevents all groups from accessing approximately one-third (1/3) of the timber in the Kispiox Timber Supply Area. This in turn causes over-logging in the balance of the T.S.A. in order to maintain the annual allowable cut.

The group indicated that they might be willing to re-consider the situation north of the Babine but that such would firstly be conditional upon the Chiefs and House groups having meaningful involvement in managing their House territories and their House members benefitting from resource extraction. They further stated that some of their territory was included in the Sustut-North Takla allocation without their involvement and consent and they believe the issue should be re-opened.

Employment - General:

Skogumlahax (Vernon Milton), Chief of the Grouse clan of the Gitsegukla (and elected Village Councillor), put forth a request that any slashing, burning, tree planting, thinning or other work

in their territory be done by local Gitsegukla people. He expressed his opinion that first priority for employment in all areas of forestry and forest management activities within a House territory should be given to House members. He further requested that Ministry staff sit down with their House group and work out a plan for rehabilitation for their area and any further logging plans. He also requested that a native person from their area be hired as a liaison worker to help them secure the work. The Commission supports Chief Milton's submission and this issue is dealt with in the Commission's various recommendations.

Aubrey Jackson made a presentation about their territories. They feel that revenues derived from royalties and stumpage within their House territories should be put back into their territories for the purposes of employing their House members and to be used for purchase of equipment.

A number of Gitksan and Wet'suwet'en people in the past were involved in the business side of forestry including logging contracting, pole contracting and machine contracting. For many reasons they were moved out of the industry. The Commission believes that as Aboriginal entrepreneurs are brought back into the business of forestry there will be more stability in the area.

Employment - Kitwanga mill:

The workers from the Westar Kitwanga mill and their Councils made strong presentations about their jobs and the lay-offs they have faced. Unfortunately, their frustration has pushed them into the court process. They very much have the perception that they have not been treated fairly by Westar nor the Minister. They believe very much that the use of the resource (trees) is very much tied to the security of their jobs. The Commission believes it would be fair to say that a major portion of the Commissions time

and energy was spent on this issue.

The Commission was very sensitive to the fact that the major employer for Gitwangak people was the Westar sawmill at Kitwanga. The Commission further recognizes that these people are not going to move to Prince Rupert, Terrace, or Smithers to acquire new jobs. The Commission strongly feels that the governments, Provincial and Federal, must play an active role in bringing some stability to these peoples lives and the Commission reflects this in its recommendations. The Commission believes there is a scenario whereby these people could secure employment through joint venturing, purchasing present facilities, contracting, and silviculture. What is needed is commitment and understanding from governments, the future owner of Westar assets and the employees themselves. The Commission's recommendations very much centre on stability for the workers at the Kitwanga mill if it is permanently closed.

Trapping:

Norma Morgan, on behalf of Adolphus Morgan made a presentation to voice concern that their trapping territories were not being respected. When the game are disturbed they move and never return. The owners of traplines will not allow logging to happen. She closed by saying the non-Indians never keep the promises like keeping the Kitwanga mill open. This issue is dealt with in the Commission's recommendations.

Interim Measures and Joint Venturing:

The Commission supports the concept of joint venturing between aboriginal and non-aboriginal interests. The Commission believes that through this process and others Aboriginal people will become involved in a meaningful way in decisions about the resources and their jobs. Certainty for non-aboriginals will also result. We

are reminded of a presentation from a non-Aboriginal contractor who recently put up his equipment for security on a loan by an Aboriginal person to purchase a piece of equipment. That is partnership.

Aboriginal people do not have the capacity to finance an equity position in large companies. They are looking for the Federal and Provincial governments to help them.

The Commission believes that their work should fall within recommendation sixteen (16) of the British Columbia Claims Task Force Report:

> "16. The parties negotiate interim measures agreements before or during the treaty negotiations when an interest is being affected which could undermine the process."

The Commission believes that finding a solution in this case can be used as a good example of how new arrangements can benefit Aboriginal and non-Aboriginal people and provide for a healthy economy. The Commission has made a recommendation which it believes will bring about true partnership.

Summary:

The Commission believes that the Provincial Government has an opportunity to start to deal with Aboriginal issues in an honourable fashion and congratulates them for explicitly expressing their intentions in the Commission's Terms of Reference. The Commission believes that the key word is balance. Proof must be put into the pudding that Aboriginal people exercising more jurisdiction will not destroy jobs nor put non-Aboriginals out of business. Trust will be built through cautious experiments that result in stability and wealth for the entire community.

OTHER ISSUES

The Commission has determined that there is a high level of expectation among the local residents that the Minister will deal with a broad range of issues when dealing with any request for a consent to the transfer of the Forest Tenures. The Commission believes that there is significant benefit to identifying these issues even though all may not be directly relevent to either the Commission's mandate or a request for a transfer of the Forest Tenures. Many of these issues have been identified and discussed in the prior sections of this report. In addition, the following issues were also raised and discussed with the Commission:

Logging Practices:

Most of the Native groups and many non-Native groups included in their presentations concerns about logging practices. Included in their presentations were issues such as size of clearcuts, methods of logging, selection of stands, road building, stream protection etc. A lot of emphasis was placed on what has been done. Nobody talked about changes that have been implemented over the past few years. Commissioner Watts wished to see first hand some of the area of the TSA and therefore spent the better part of a day helicoptering the area. He was shown a broad range of sites from devastation to a very healthy stand of second growth timber. Despite perception, the Ministry is making changes to logging practices that will result in a better environment. There will always be an impact on the environment from logging and the goal should be to keep that impact at an absolute minimum.

The Ministry is presently leading a process called the Kispiox Resource Management Plan. This Commission has been provided all of the material related to this process. A number of presenters to the Commission voiced non-confidence in the process for many reasons. Ironically, the draft report speaks to many of the issues

raised. A number of people feel left out of the process. It would be unfortunate for the people of the Hazelton area not to seize this opportunity to participate in a plan for the future land use of the area. If the process is faulty, it should be corrected. The Commission believes that the majority of people in the area want to manage change and not fight change. A private interview process should be considered for those people who do not feel comfortable with public speaking.

The Commission believes that if the present information put together by the Kispiox Resource Management Plan and information assembled by the Office of the Hereditary Chiefs is used in a true consensus building process, this will result in nothing less than a well managed area that will be of benefit to all people.

Log transfers out of the TSA area:

Several submissions to the Commission urged that all logs harvested in the area be processed in the area and the transfers between TSA's be prohibited. The Hazeltons have been major beneficiaries of cross TSA log transfers through Westar's aggressive log purchase plan, a program that must continue in the future to a lesser extent. A prohibition, if implemented, would restrict specialization and competition. This is undesirable and would be a major impediment in future timber rationalization. However, interests of those parties advocating no cross TSA transfer of logs by a licensee could be addressed by restricting log outflows by the licensee, net of log inflows, where the licensee reduces or curtails milling operations.

Absentee Ownership:

There is a widely held view in the Hazeltons that absentee ownership is detrimental to local interests and that preference in the awarding of forest licenses should be given to locally owned industry. Funding requirements including costs of sustaining

operations through down markets would probably preclude local ownership of the larger operations, however, this could be offset in part through co-venturing with local peoples.

Sustut-North Takla:

All submissions to the Commission which raised this issue were unanimous in their opinion that at least a portion of the Sustut-Takla should have come to the Hazelton-Smithers area. A number of submissions voiced concern that the Sustut-North Takla area will not be managed properly because it is accessed by a railway only. If some volume is diverted to the Hazelton-Smithers area, then roads would be built into the area. The Commission recognizes that large amounts of money have been invested in the railway serving the area. The Commission also recognizes that there are jobs in the Prince George area that are dependent on the volume of timber coming from this area.

CONCLUSIONS

a) General

The Commission has concluded that the objectives of the provincial government can be best achieved if:

- employment in the area is stabilized at a maximum level sustainable by the local forest resources;
- employment in the area is balanced to the highest degree possible between the two communities of Hazelton and Kitwanga;
- both Natives and non-Natives be provided with more formalized input into the planning and management of the Kispiox TSA and TFL 51, including determination and level of timber harvesting within these two areas which is sustainable;
- assistance is provided to Native people to establish viable joint ventures or business in the local forest industry;
- those businesses operating manufacturing facilities in the area establish a mechanism for keeping employees and the local community better informed with respect to the current and ongoing viability of the business and involving employees well in advance in any decisions regarding reduction or curtailment of operations.

b) Rationalization of Timber Supply and Conversion Facilities

The Commission has also concluded that a viable and competitive forest industry within the Hazelton and Kitwanga area can be best achieved, taking into consideration the objectives of the provincial government, if:

- the Carnaby sawmill and the Whole Log Chipper at Hazelton continue to operate;
- the existing Kitwanga sawmill is permanently closed and replaced with a remanufacturing facility by either the purchaser of the Carnaby mill or another party;
- the Hobenshield sawmill increases its production from one shift to two shifts;

It was clear from our discussions in the area that employment from continued logging and milling was considered to be essential within the limits of the AAC and good forestry practices. It was not suggested to us that operations be curtailed other than within those limitations.

Possible options for a viable sawmilling industry in this area have been considered and in the Commission's view the only viable option is the one noted above.

The submissions made to the Commission that the Carnaby sawmill be closed and replaced with a new smaller facility better suited to the resource is not a viable option. Assuming that such an objective was technically feasible, the limited supply, marginal quality and the high cost of logs in the area would preclude any likelihood of attracting the new investment of tens of millions of dollars which would be required to construct such a facility. [Note: The construction cost of the Carnaby sawmill approached $50 million, and this sawmill, which the community generally perceives as being too large an operation, is the smallest of the principal sawmills in each of the communities from Vanderhoof to Terrace, in some cases by a wide margin -- see Appendix "F".]

It is true that there is sufficient existing conversion capacity in the area, exclusive of Carnaby, to utilize the AAC. In

fact, if all three operations (Hobenshield, Kitwanga, Stege) operated on a full two shift, year round basis, their combined capacity would exceed local supply at the existing AAC but we do not support this option.

Hobenshield and Stege mills are similar and both can process the profile of the forest including small logs, large logs, and cedar. The Westar's Kitwanga sawmill is limited to logs with specifications identical to Carnaby (i.e. it cannot process cedar, oversize and small logs.

All three of these mills employ technology that is 30 years old. They do not have recovery, speed nor mechanized handling techniques essential in the production of commodity items and these mills could not realistically be upgraded to achieve the required performance.

The Hobenshield mill is a good operation and functions very well with high quality large logs and, in particular, with cedar. That quality of log is manufactured to extract maximum grade and value and; high mill throughput is not essential and, in fact, can be detrimental to this type of operation.

The Hobenshield mill is certified (IWA). It can expect to continue operations for the foreseeable future if it can get a satisfactory log diet at reasonable cost and if satisfactory markets for wood chips and pulp logs are available.

The Stege mill, when operating, should be similar in performance to the Hobenshield mill.

Westar's Kitwanga sawmill has been profitable in past years but would not be in current market conditions. It has never been

a stand-alone operation and has always received a log suited to its need. Conversion costs before depreciation are much higher than those of Carnaby and lumber recovery is lower. Westar's Kitwanga sawmill is not a competitive operation in its present configuration.

The predominant timber species to be processed is old growth, defective hemlock-balsam which does not yield high grade, high value lumber. Processing this component of the stand depends on productivity and low costs and the Carnaby mill fulfils this need.

If Carnaby is closed, the local sawmilling industry will likely be reduced to very small specialty mills and the employment base from timber processing will be almost non-existent. This result would also pose a serious threat to the Prince Rupert pulp mill.

The continued operations of Carnaby will ensure the closure of Westar's Kitwanga sawmill. Westar recognized that eventuality and started a planning process that would provide re-manufacturing jobs as well as some sawmilling. It proposed a program to add a headsaw and carriage at its Kitwanga sawmill to mill cedar, oversize, and small logs and it proposed to carry out the total program on a joint venture basis with the Kitwanga employees. This program did not proceed.

The sale of the Westar Operations and transfer of the Forest Tenures should give rise to the re-implementation of the original Westar program for Kitwanga. However, rather than add to the existing Westar sawmill at Kitwanga (i.e. modify the facility to cut cedar, oversize and small logs), consideration should be given to increasing the production at the Hobenshield sawmill to two shifts.

The Hobenshield sawmill is already configured to cut cedar, oversize, and small logs, and therefore complements Carnaby (i.e., does not compete for the same logs). The excess cedar, oversize and small logs from Carnaby, which might be as much as 180,000 m^3 annually (depending on log grade content), combined with Hobenshield's annual quota of 92,000 m^3 could be a sufficient base for a two-shift operation and add some 40 jobs at that location.

Combined with the construction of a new remanufacturing facility at the existing Kitwanga mill site, approximately two-thirds of the jobs which would be lost from a permanent closure of Westar's Kitwanga sawmill would be saved by implementing this program. Additional jobs could be created in the future by a further expansion of the remanufacturing facilities constructed at Kitwanga. This program would require that the seniority lists from the Hobenshield sawmill and Westar's Kitwanga sawmill be merged -- both of these operations are presently certified by the I.W.A.

Additionally, this program would materially reduce the sawlog purchase requirement from outside the area. The result of this program is summarized in the following two tables.

PROJECTED LOG REQUIREMENTS AFTER IMPLEMENTATION OF ABOVE

	Mm^3 Existing Requirement		Mm^3 Projected Requirement
Hobenshield	140	*	280
Westar-Kitwanga	300	>	--
Total Kitwanga:	440	>	280
Westar-Carnaby	600	>	600
Stege	180	*	--
Total Hazelton:	780		600
Kispiox (est)	20	*	20
Seaton	30	*	30
	1,270		930

* single shift

SAWLOG SHORTAGE IN KISPIOX TSA AND TFL 51

Projected Log requirements (above)			930 Mm^3
Sawlogs available:			
Kispiox TSA AAC	1,100 Mm^3		
less: Stege AAC	64		
	1,036 Mm^3 x 54%	560 Mm^3	
TFL 51	104 Mm^3 x 90%	94 Mm^3	
Total Sawlogs available			654 Mm^3
INDICATED SHORTAGE WHICH MUST BE PURCHASED OUTSIDE OF TSA (excludes purchase needs of Stege)			276 Mm^3

RECOMMENDATIONS

Based upon the objectives of the provincial government and those factors the Commission was asked to consider, the Commission has the following recommendations for the Minister as to options for the sale of the Operations and transfer of the Forest Tenures and as to ancillary issues identified by those parties who met with or made submissions to the Commission:

1. The Minister consent to the transfer of Forest License A16831 to the purchaser of the Carnaby sawmill and the Whole Log Chipper subject to:

    a) the continued operation of the Carnaby sawmill and the Whole Log Chipper;

    b) severance and pension obligations to Westar employees being fulfilled;

    c) the purchaser committing to assist in establishing Native logging and silviculture companies at both Hazelton and Kitwanga;

    d) the milling and woods employment at Hazelton being maintained;

    e) participation by the purchaser in the remanufacturing facility at Kitwanga;

    f) the purchaser committing to a log transfer program with manufacturing facilties located at Kitwanga.

2. As an Interim Measure in accordance with Reocmmendation #16 of the Report of the British Columbia Claims Task Force, the Minister consent to the transfer of both TFL 51 and 100,000 m^3 of timber from the Kispiox TSA Small Business Program to a consortium of Nisga'a and Gitksan people subject to:

   a) the construction and continued operation of a remanufacturing facility at Kitwanga;

   b) no timber being used for primary processing at the existing Westar Kitwanga sawmill;

   c) the timber being made available to the remanufacturing facility for trade with Carnaby and other sawmills for lumber and other timber;

   d) the Nisga'a and Gitksan people working out the agreement referred to in Recommendation #3.

3. The Minister take steps to convene a meeting between the Nisga'a and Gitksan people to work out an agreement with respect and any issues arising out of their overlapping claims which may have an impact on the consortium referred to in Recommendation #2.

4. The provincial government play a lead role in working with the federal government and Aboriginal people to develop a package of financial and other assistance which would provide Aboriginal people with an opportunity to participate either directly or as a joint venture partner in logging operations and manufacturing facilities in the Hazelton and Kitwanga area.

5. The Minister establish, in consultation with the Commission on the Resources and Environment, a resource management advisory group for TFL 51 and the Kispiox TSA which, among other things:

   a) would include representation from native communities, non-native communities, labour, license holders, trapping industry, tourism, the environment and government;

   b) would provide an ongoing mechanism for local input on all aspects of planning and management of forest resources within the TFL 51 and the Kispiox TSA, including the existing Kispiox Resource Management Plan process;

   c) would examine existing logging practices and, where considered necessary, make recommendations for change;

   d) would give specific consideration, in consultation with the Hereditary Chiefs, to a management process for the area north of the Babine;

   e) would make recommendations for resolving land use disputes involving trapping, including the potential for compensation;

   f) would make recommendations for resolution of high-profile conflict areas (e.g. consideration of the recreational aspects of the Seven Sisters and Babine River Corridor areas).

6. The resource management advisory group should be established in a manner which:

a) involves participants in developing terms of reference and rules of procedure;

b) does not duplicate the work being done by the existing Kispiox Resource Management Plan process;

c) clearly identifies in advance the manner in which the provincial government will deal with advice or recommendations made by the resource management advisory group.

7. The Minister give consideration to reviewing the Sustut-Takla allocation with a view to re-directing some timber from this area to the Hazelton-Smithers area.

8. The provincial government communicate to the Office of the Gitksan-Wet'suwet'en Hereditary Chiefs its interpretation of the governments fiduciary duty as set forth in the Delgam uukw decision or alternatively confirm that no government policy will be established in this regard until after all legal appeals of this decision have been completed.

* * * * * * * * *

SCHEDULE

Westar Timber Ltd. (Northwest Operations) Commission

Terms of Reference

1. To examine the forest tenures, conversion facilities (including the Carnaby and Kitwanga Sawmills and the whole log chipping plant at New Hazelton) and other associated assets of Westar Timber Ltd. in the Hazelton Kitwanga area and make recommendations to the Minister of Forests concerning possible options for the sale of the northwest operations of Westar Timber Ltd. and the transfer of the associated forest tenures.

2. To consider the following factors in making its recommendations on possible options for the transfer of forest tenures:

   (a) timber supply and profile;

   (b) timber conversion capacity;

   (c) aboriginal interests;

   (d) wood requirements for conversion facilities of other companies and the interests of communities associated with these requirements.

3. To consider the following objectives of the Provincial government in making its recommendations on possible options for the sale of operations or the transfer of forest tenures:

   (a) to establish and maintain viable operations and a competitive forest industry consistent with available timber resources;

   (b) to promote long term community stability in the Kitwanga Hazelton area and the Northwest of the Province generally;

   (c) to increase involvement of aboriginal people in the forest sector of the economy;

   (d) to maintain a sustainable forest management regime.

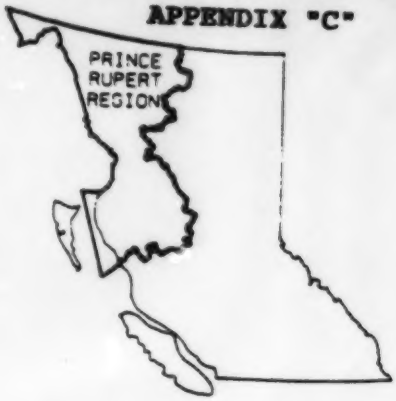
APPENDIX "B"

LIST OF THOSE WHO MADE PRESENTATIONS AND/OR SUBMISSIONS TO THE COMMISSION

Office of the Hereditary Chiefs of the Gitksan and Wet'suwet'en
Alice Maitland, Mayor, Village of Hazelton
Jim Davidson, Mayor, Town of Smithers
Fred Wilson, Mo Azaz, Canadian Paperworkers Union
Reg Lightfoot, Skeena Cellulose Inc.
Tan Calhoun, Isolite Stege Forest Products
William Fell, Seven Sisters Society
Art Wilson, (Wii Mukwilixw)
Vernon Milton, Gitsegukla
Aubrey Jackson, Gitsegukla
Andy Clifton, Gitsegukla
Elmer Derrick, Gitanyow
Norma Morgan (for Adolphus Morgan)
Gitwangak Band Council
Art Loring, Eagle Clan
Pete Weeber, Westar Salaried Employees
Erwin Stege, Isolite Stege Forest Products Ltd.
Peter Berry, Reg Thurlborn, Westar Timber Ltd.
Dave Eagleston, Industrial Forester, Smithers
Ron Fricke, Seaton Timber
Warner Williams, Ernie Harding, Kyah Forest Products
Kisagaas Chiefs of the Gitksan
Stuart Forsyth
Cameron Brown
Gerald Sneider, Logging Contractor
Graham Morgan, Gary Williams, Art Mathews, Kitwanga Mill Employees
Russ Clinton, West Fraser Mills
Nisga'a Tribal Council
Northwest Loggers Association
Wilfred T. David
Ray Morgan
Bill McRae

PRINCE RUPERT FOREST REGION

APPENDIX "C"



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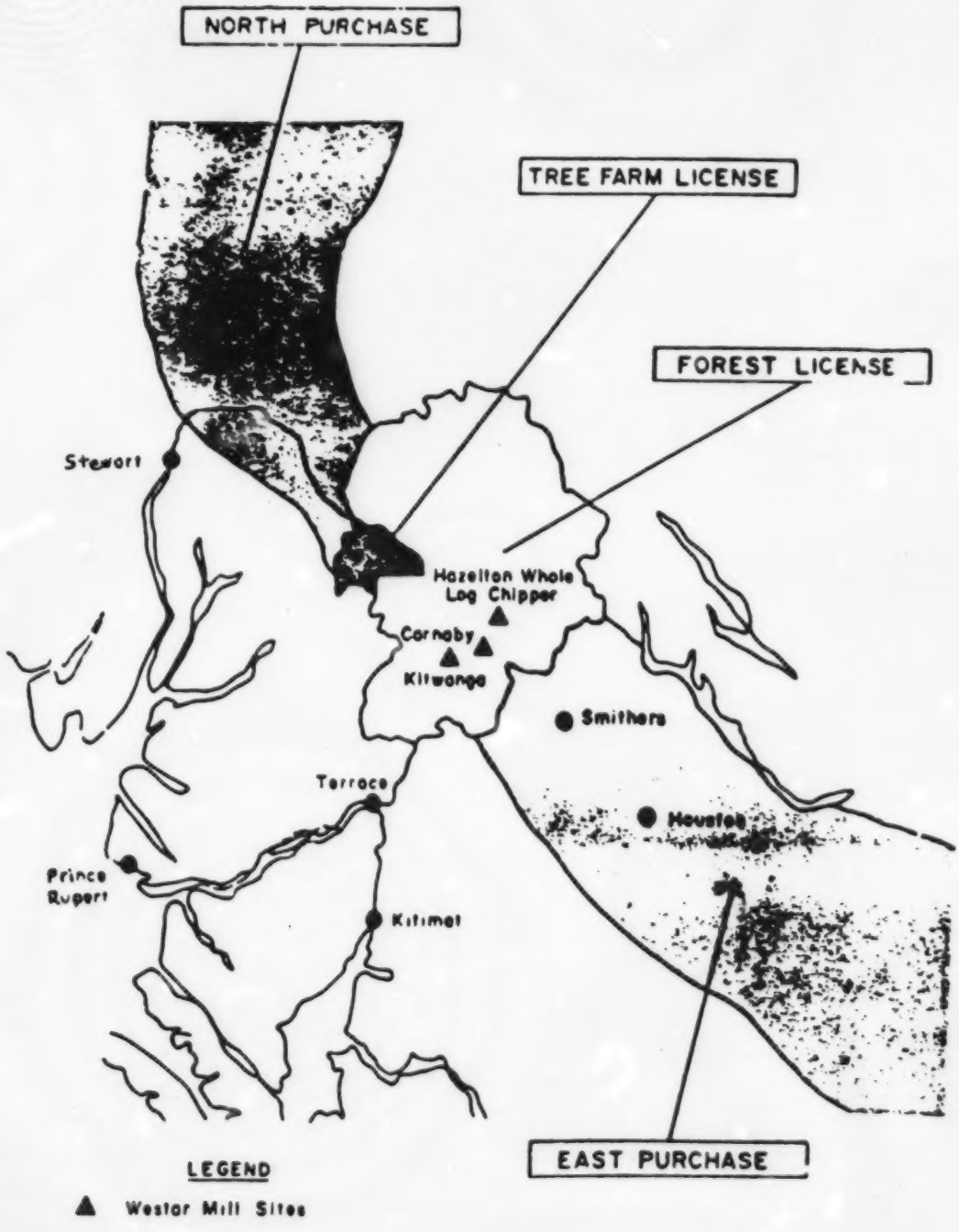
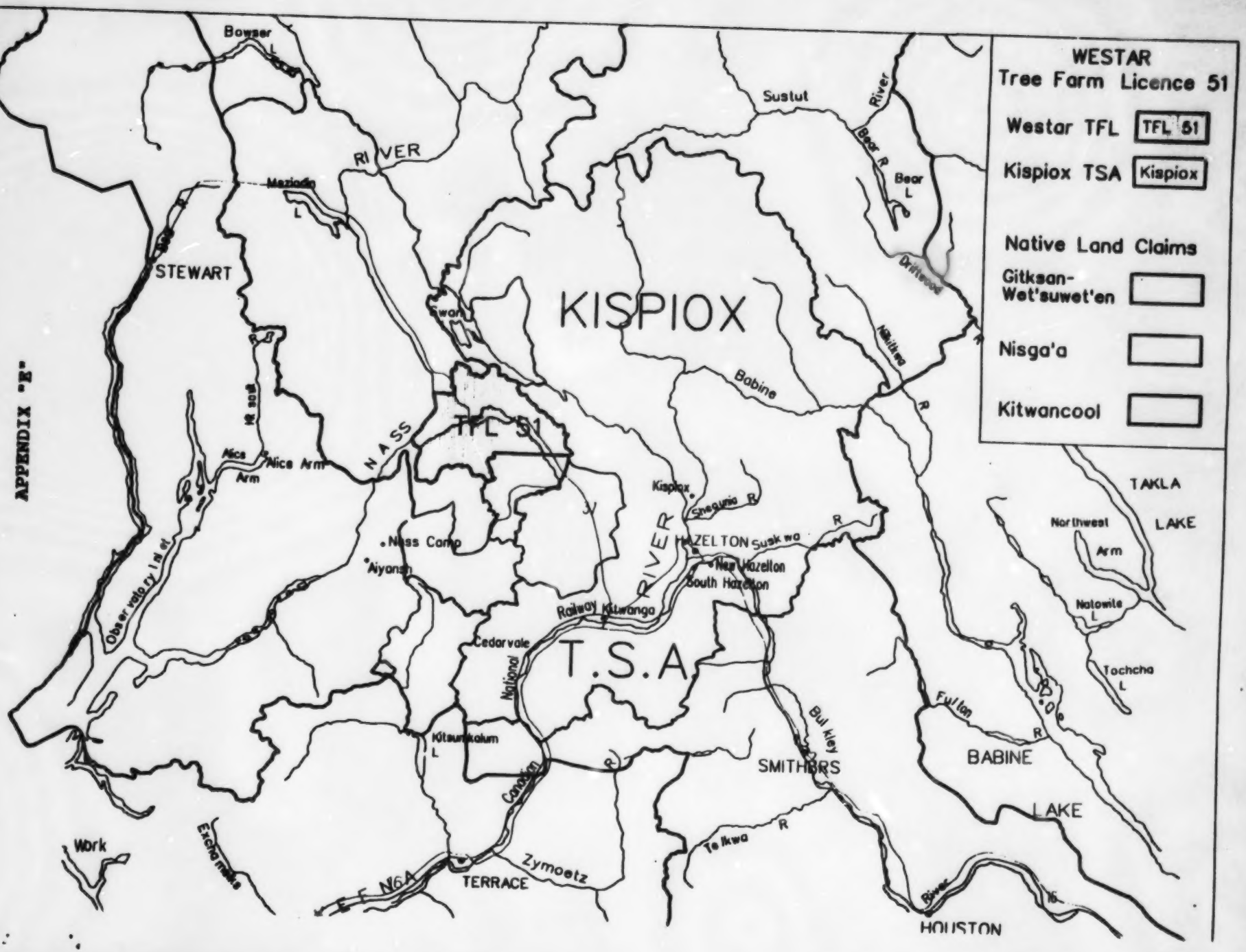
APPENDIX "D"

WESTAR TIMBER LTD.

NORTHWEST OPERATIONS



APPENDIX "E"


WESTAR
Tree Farm Licence 51
Westar TFL
TFL 51
Kispiox TSA
Kispiox
Native Land Claims
Gitksan-
Wet'suwet'en
Nisga'a
Kitwancool
KISPIOX
TFL 51
T.S.A
Bowser
RIVER
Meziadin
L
STEWART
Alice
Arm
Alice Arm
NASS
Observatory Inlet
Nass Camp
Aiyansh
Kispiox
Sustut
River
Bear R
Bear
L
Driftwood
Babine
R
TAKLA
LAKE
Northwest
Arm
Natowite
L
Tochcha
L
HAZELTON
Suskwa
R
New Hazelton
South Hazelton
Kispiox
Sneguniz R
RIVER
Railway
Kitwanga
Cedarvale
National
Kitsumkalum
L
Canyon
Work
Exchamsiks
N6A
TERRACE
Zymoetz
SMITHERS
Bulkley
Fulton
R
B.C.R.
BABINE
LAKE
Telkwa
R
River
HOUSTON

APPENDIX "F"

WEST LINE ANALYSIS

TERRACE TO VANDERHOOF SAWLOG SUPPLY/DEMAND

AREA	CONSUMPTION (Mm^3/yr)	FOREST LICENCE (Mm^3/yr)	SHORT TERM OPP. WOOD (Mm^3/yr)	SHORTFALL (Mm^3/yr) Short Term		Long Term	
TERRACE							
SEPAP	650	809		(159)	(24%)	(159)	(24%)
SKEENA	740	535		205	28%	205	28%
HAZELTON							
WESTAR	590	427		163	28%	163	28%
HOBENSHIELD	120	73		47	39%	47	39%
STEGE	200	51		149	75%	149	75%
Volumes shown are sawlogs only. Forest Licence volume in the above group has been reduced by an estimated pulplog volume.							
SMITHERS							
P.I.R.	712	312	200 (1993)	300	42%	400	56%
BROOT	225	123		102	45%	102	45%
HOUSTON							
HOUSTON F.P.	905	650		255	28%	255	28%
NORTHWOOD	1240	1064		176	14%	176	14%
BURNS LAKE							
BABINE	860	432		338	39%	428	50%
BECKER LAKE	220	145		75	34%	75	34%
BABINE SPECIALTY			90 (2000)				
FRASER LAKE							
FRASER LK. S/M	1100	692		408	37%	408	38%
VANDERHOOF							
PLATEAU	1074	652		422	39%	422	39%
L & M	420	66	250	104	25%	354	84%
TOTAL (BEFORE SBEP CAT. 1)	9056	6031		2585	29%	3025	33%
		SMALL BUS. 1	16.1				
KALUM S SB		53	21				
KSIPIOX SB		173	44				
KILKLEY SB		175	36				
MORICE SB		175	94				
LAKES SB		185	51				
S. VAND.SB		140	136				
S. FSJ SB (1/2)		126	84				
TOTAL SBEP (CAT 1)		1027	466				
TOTAL	9056	7058		1559	17%	1996	22%